

Iowa Council on Human Services
Public Hearing Comments
July 10, 2019

Child Care Assistance and Child Care Assistance Plus are two programs under the purview of the Iowa Department of Human Services that have vast implications for families and the economic vitality of our state.

The recent 2018 Asset-Limited, Income-Constrained and Employed Report (ALICE) identified child care as the largest expense in the typical Iowa family's budget. At an average \$1,031 per month, child care even outpaces the cost of housing (\$659/month average.)

Employers also struggle to find enough people to fill open positions and United Way sees child care as a prerequisite to work for young families. In our state, 75 percent of all parents of young children under age 6 are working.

Across our state, regardless of being urban or rural, lack of access to child care is a growing concern. Without child care, many parents are unable to work and business and industry will struggle to fill open positions or expand in areas of our state experiencing "child care deserts." According to data from Iowa Child Care Resource & Referral, our state has lost nearly 40 percent of child care slots between 2012-2017. Many communities no longer have access to licensed, quality-child care centers.

For families, the current structure of Iowa's Child Care Assistance program creates what we commonly call the "cliff effect", where a modest increase in earned wages pushes families out of eligibility for the program. While we encourage career advancement, the monthly gains in earnings fall far short of the actual cost of care. Businesses have experienced employees turn down wage increases, additional hours and promotions, knowing the wage increase doesn't keep pace with the loss of child care benefits.

With new funding from the federal level, Iowa can solve this. We must use existing and new increases in the federal Child Care & Development Block Grant to support increases to the income eligibility of this program.

Currently, Child Care Assistance is capped at 145 percent of the federal poverty level – in real world dollars just over \$37,000 per year in income for the typical Iowa family of two parents and two children. This program doesn't meet the needs or the reality for families in our state considering this same family could face child care expenses of over \$12,000 in the same year.

United Way and its partners advocate for an increase of the main program to 185 percent of poverty and from 186-200 percent of poverty in the secondary Child Care Assistance PLUS program.

Across both programs, a new co-payment schedule should be implemented. The idea is to “smooth” the cliff effect, helping families slowly afford the cost of quality child care on their own and not hamper their financial stability. Further, this creates additional cost-sharing with the state – reducing state expenditures.

State appropriations for the program have not kept pace, however. When the program was initially started, the funding balance was roughly 50/50 between state and federal sources. As of last state fiscal year, these programs rely on 79 percent federal funds and 21 percent state funds respectively.

Iowa currently has the 11th lowest income eligibility among D.C. and all states. Most states in the Midwest are much closer to the federal recommendation of 85 percent of state median income - some approaching 250 percent of the federal poverty level.

Expanding the eligibility of the Child Care Assistance program and a revised co-payment schedule for families approaching 200 percent would mean an additional 4,145 kids would be able to receive quality child care in Iowa. This also allows more parents to be available for work, and to advance in their careers.

In 2018, courtesy of the dedication and commitment of Representatives Dave Heaton and Joel Fry, the legislature provided a reimbursement increase to tiered Quality Rating System child care providers. This was to address the lack of funding improvements as well as the instability in the child care provider market. This instability has led to the previously mentioned loss of nearly 40 percent of providers in the past five years – exacerbating “child care deserts” and access to quality, affordable care. This increase went into effect January 1, 2019.

While United Way and its partners have shared specific legislative proposals, we encourage the Council to look creatively at this issue in terms of the impact for families as well as a critical workforce support.

We thank you for your time and welcome any questions you may have.

Dave Stone
Advocacy Officer
United Way of Central Iowa